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REVENUE REVIEW

Quarterly
Revenue Report
for the
State of
Michigan

AUGUST 2002

House Fiscal Agency
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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr % Change</u>	<u>YTD %</u>
\$4,639.7 million	\$4,666.6 million	0.6%	-3.1%

Revenue collections for third quarter (May-July) fiscal year (FY) 2001-02 were \$27.0 million or 0.6% higher than third quarter FY 2000-01 collections. This increase was an improvement from the 4.9% decline posted in the first two quarters of FY 2000-01. Revenue for fiscal year-to-date (FYTD) totaled \$14.2 billion—down \$460.3 million or 3.1% from the first three quarters of FY 2000-01.

INCOME TAX (NET)

<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr % Change</u>	<u>YTD %</u>
\$1,582.2 million	\$1,510.1 million	-4.6%	-10.6%

Income tax revenue consists of three components—withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 80% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for third quarter FY 2001-02 were \$72.0 million or 4.6% lower than third quarter FY 2000-01 collections. The third quarter weakness was an improvement from the 13.4% decline in the first two quarters. Withholding payments were down 0.5%, quarterly and annual payments decreased 25.9%, and refunds were down 0.1%. Net income tax collections for FYTD totaled \$4.5 billion—down \$530.4 million or 10.6% from the first three quarters of FY 2000-01.

SALES AND USE TAXES

<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr % Change</u>	<u>YTD %</u>
\$1,996.7 million	\$1,967.1 million	-1.5%	0.1%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The Use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and Use tax collections for third quarter FY 2001-02 were \$29.6 million or 1.5% lower than the year-ago quarter. Sales tax due to motor vehicle sales increased 1.9% while all other sales tax collections were down 1.6% in the third quarter FY 2001-02 relative to the year-ago third quarter. Sales and Use tax collections for FYTD totaled \$5.7 billion—up \$6.4 million or 0.1% from the first three quarters of FY 2000-01.

SINGLE BUSINESS AND INSURANCE TAXES

<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr % Change</u>	<u>YTD %</u>
\$589.6 million	\$642.0 million	8.9%	-2.4%

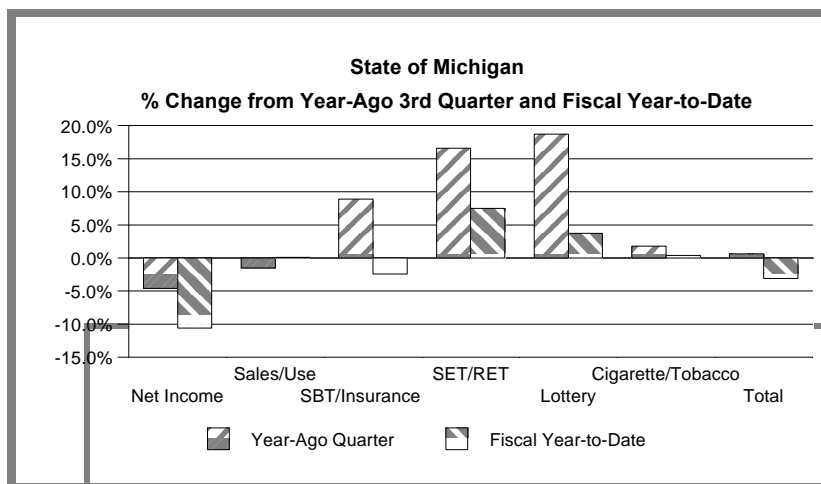
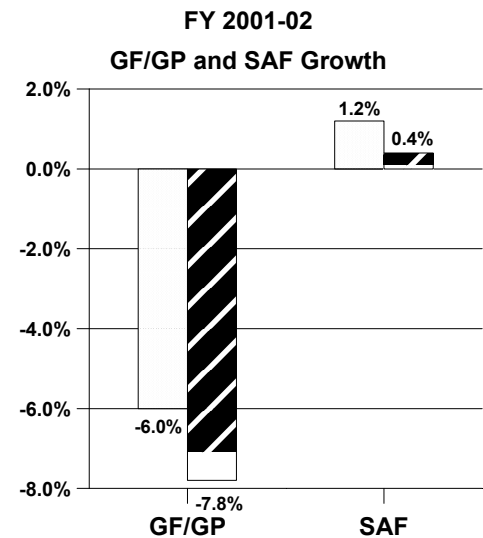
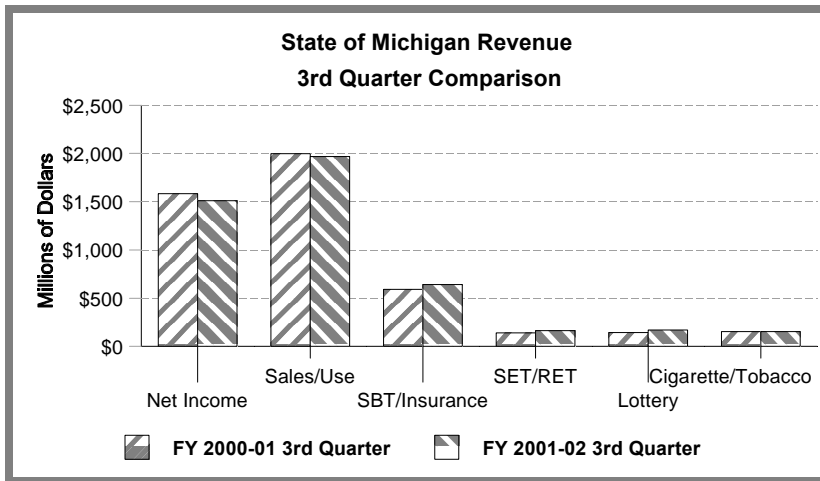
Single Business and Insurance taxes are applied to the value added of business activities. For third quarter FY 2001-02, Single Business and Insurance tax collections were \$52.4 million or 8.9% above the year-ago third quarter. Single Business and Insurance tax collections for FYTD totaled \$1.7 billion—down \$42.5 million or 2.4% from the first three quarters of FY 2000-01.

OTHER REVENUE

<u>3rd Qtr FY 2000-01</u>	<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr % Change</u>	<u>YTD %Change</u>
\$471.3 million	\$547.4 million	16.2%	4.9%

Other revenue—which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for third quarter FY 2001-02 was up \$76.1 million or 16.2% from the third quarter of FY 2000-01. Other revenue for FYTD totaled \$2.3 billion—up \$106.1 million or 4.9% from the first three quarters of FY 2000-01.

Revenue declines in income, sales, and use taxes were offset by growth in business and other taxes during the third quarter of FY2001-02.



Revenue Quarterly Review: 3rd Quarter (May-July) FY 2001-02 (Millions of Dollars)

Legend:
 May 2002 Consensus Estimate
 FY 2001-02 Fiscal Year-to-Date

HOUSE FISCAL AGENCY

Revenue	FY 2001-02 3rd Qtr	Percent Change From Year-Ago 3rd Qtr	Change From Previous Fiscal Year- to-Date		FY 2001-02 May Consensus Forecast Growth
			FY 2001-02 Year-to-Date	Dollar Percent	
Annual Income Tax	\$40.0	-41.2%	\$472.9	(\$170.2) -26.5%	-26.6%
Quarterly Income Tax	141.9	-20.1%	473.5	(118.7) -20.0%	-15.5%
Withholding	1,571.1	-0.5%	4,858.3	(164.3) -3.3%	-1.3%
..... Subtotal	1,753.0	-4.0%	5,804.7	(453.2) -7.2%	-4.9%
Income Tax Refunds	242.9	-0.1%	1,320.0	77.1 6.2%	6.7%
..... Net Income Tax	1,510.1	-4.6%	4,484.7	(530.4) -10.6%	-7.1%
Sales Tax	1,630.7	-1.0%	4,732.2	1.0 0.0%	2.2%
Use Tax	336.4	-3.7%	982.2	5.4 0.6%	2.6%
..... Subtotal	1,967.1	-1.5%	5,714.4	6.4 0.1%	2.3%
Single Business Tax	582.0	7.4%	1,545.8	(71.7) -4.4%	-6.4%
Insurance Tax	60.0	26.3%	168.4	29.2 21.0%	19.6%
..... Subtotal	642.0	8.9%	1,714.2	(42.5) -2.4%	-4.0%
Inheritance/Estate Tax	35.1	38.2%	106.4	(9.4) -8.1%	-18.3%
Cigarette/Tobacco Tax	154.1	1.8%	441.4	1.6 0.4%	-1.2%
Lottery	168.7	18.7%	465.9	16.6 3.7%	3.1%
Industrial/CommFacility	26.4	111.6%	113.4	17.4 18.2%	3.6%
Real Estate Transfer (RET)	68.1	8.1%	179.6	(2.9) -1.6%	-4.7%
State Education Tax (SET)	95.0	23.5%	960.2	82.8 9.4%	4.6%
..... Subtotal	547.4	16.2%	2,266.9	106.1 4.9%	1.4%
TOTAL	\$4,666.6	0.6%	\$14,180.2	(460.3) -3.1%	-1.8%

NOTE: Consensus revenue figures reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.